

EXHIBIT C



March 7, 2003

Mr. Fred Groothuis
South Cherry Street, LLC
950 South Cherry Street
Suite 714
Denver, CO 80246

Re: Accredited Fund, LLC (#50)

Dear Mr. Groothuis,

I would like to welcome you as a member of Bayou Accredited Fund, LLC. Your investment in the amount of **\$250,000.00** will become effective as of **March 01, 2003**.

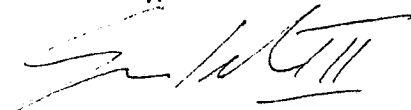
I hope your investment experience will be a positive one as we continue to attempt to provide our investors with above average returns while maintaining commensurate risk control parameters.

Please keep the following for your records:

- Copy of the Subscription Document countersigned by the manager.
- Membership Certificate.
- Copy of the credit advice from our bank, reflecting the receipt of your funds.

If you have any questions, please call at any time.

Sincerely,



Samuel Israel III

SI III/lw

Encs



October 4, 2004

South Cherry Street, LLC
Attention: Mr. Groothuis
640 Plaza Drive - Suite 360
Highlands Ranch, CO 80129

Re: Additional Investment in Bayou Accredited Fund, LLC (AC 50)

This letter is to acknowledge the additional investment in the **Bayou Accredited Fund, L.L.C.** for the amount of **\$ 900,000.00**. Your additional capital contribution will be reflected on **October 01, 2004**. Attached is a copy of our credit advice confirming receipt of the funds.

I am aware that many of our investors found Bayou through a third party or firm who may include Bayou as part of their own strategy for their clients. I wish to remind you that the Manager can, and does, pay commissions to various third party marketers or firms as to some of the investments in the Fund by their clients. These costs and associated expenses are the sole responsibility of the Manager and are not charged to any investor. Even if you were so introduced, we feel that your interests will be best served by communicating directly with Bayou and we encourage you to do so.

If you have any questions please call Investor Relations at 203-708-6713/6720.

We thank you for your confidence in Bayou and hope to justify your faith in us.

Sincerely,

Samuel Israel III

/enc.

40 Signal Road
Stamford, CT 06902
Fax: 203-487-0009
E-mail: info@bayougroup.com

General Administration: 203-708-6700
Investor Relations: 203-708-6720/6713



To: Bayou Family of Funds Members

July 27, 2005

From: Sam Israel III General Members

It is with great regret, but with an overriding sense of pride and accomplishment in a job done to the best of our abilities, that I announce the closing of the Bayou Family of Funds at the end of the July 2005. Upon completion of the final audit, all investors will receive a 100% payout on their investments. The current investors who have sent in redemption notices recently will be subject to the final audit and those redemptions will be part of the final payments. We will send updates to the investors while the audit is in progress indicating an anticipated date of final payments.

Over the nine years of Bayou's existence we have tried to always perform to the best of our abilities while managing the risk profile and to provide returns of which everyone can be proud. With the exception of what I would call "growing pains" inherent to the learning curve of business, I feel we have done an admirable job in the stewardship of the funds with which we have been entrusted and hope that you agree.

I have always been of the opinion that in order to be successful in our business one must be able to devote the majority of one's time, effort and focus on the business. At this point in time, however, I want to devote the majority of my time to my children and to my personal life. As you probably know, I am currently in the process of getting divorced. As most of you will also know, major changes like this often result in periods of self reflection, involving the examination of your life, your goals and your priorities. What has become very clear to me during this time is that the years when your children are growing from young dependent children into independent adults are extremely fleeting and precious. The opportunity to share in this miracle is not one that I plan to miss. I am in the enviable position of being able to arrange my life to make the most of this opportunity. Therefore, it is my intention to spend some time relaxing and enjoying my children and focusing on rebuilding my personal life. I will continue to trade my own and Dan's personal funds; keeping my toe in the business which I love too much to give up entirely. Additionally, when the right time comes I may well invite others to join me in this. For the immediate future, however, I hope that you will understand and respect my decision and know that it was not an easy decision to make, but that I do believe it to be the right one.

Finally, I wish to thank everyone for your support of Bayou over these nine years. We, as a team, have done our best for you, our investors, and we have certainly enjoyed working with and getting to know each of you. I realize that many of you will wish to contact me personally; however, I am asking you to please respect my desire to focus on my family and direct all communications through Bayou via info@bayougroup.com or the Investor Relations department. These communications will be forwarded to me and I will try to respond in a timely fashion.

Thank you all again. It has been my great pleasure to be associated with you all.

Sincerely,

Sam Israel III

40 Signal Road
Stamford, CT 06902
Fax: 203-487-0009
E-mail: info@bayougroup.com

General Administration: 203-708-6700
Investor Relations: 203-708-6720/6713



To: Bayou Family of Funds Members

July 29, 2006

From: Bayou Management LLC

As promised, I would like to update you on the audit/closure process. First, all investors should refer to the following Articles in the Operating Agreement, which has been attached for your convenience. These sections detail how liquidation of the funds shall proceed: Page 21, Article 8 (e), Page 30, Article 10.5 and Pages 33-35, Article 13. Please note that although the page numbers may differ in each fund, the terms in the one attached are the same.

There have been many communications from investors who do not understand why the process should take as long as the operating agreement indicates. The reason for the time frames specified in the agreement is to allow for the fact that, although three to four months may seem an unfair or unreasonably long time frame at first glance, the auditors must review the past 6 months of trades. Although we don't anticipate any major adjustments, the total could be impacted should any booking errors have occurred.

Furthermore, just as all Members are required to follow the terms of the Operating Agreement, so too is the Manager. We will do our best to expedite the process as much as possible. We are not insensitive to our investor's money management requirements. The audit has already begun and confirmation letters regarding activities for the period January through the end of July will be going out next week. Investors can aid in expediting the process by promptly completing and returning these letters to the auditor as soon as they are received. It is our intention to monitor the progress of the audit closely. Upon receipt of all confirmation letters and as soon as it appears to be certain that there are no substantial adjustments forthcoming, it is our intent that a significant portion of capital balances will be distributed. It is not inconceivable that with everyone's cooperation, partial distributions could begin by mid-August; however, we cannot guarantee that.

We expect that the final results will not be materially different from the information furnished to you in your June statement. Further updates will be provided as the audit progresses. We would appreciate your patience and cooperation during this process.

Sincerely,

Bayou Management LLC

Sam Israel III, Manager

40 Signal Road
Stamford, CT 06902
Fax: 203-487-0009
E-mail: info@bayougroup.com

General Administration: 203-708-6700
Investor Relations: 203-708-6720/6713



To: Bayou Family of Funds Members

August 11, 2005

From: Bayou Management LLC

This letter is to update you on the fund closing process. The "audit letters" for the domestic funds have now gone out. Included in these letters are July NAV statements. Please follow the instructions on the letter and return as soon as possible in order to expedite the process. Should you have any questions or find any discrepancies between our records and yours please note them on the audit confirm letter itself. Either someone from Bayou or the auditor will get back you with regard to any issues.

We are trying to make arrangements, with the auditor's approval, to send out the 90% balance by next week. We are aiming for Wednesday. We will be able to finalize the date toward the end of this week. The remaining balance will be distributed upon receipt and reconciliation of audit letters from all investors. To date, there have been no indications that any adjustments will be proposed by the auditor and we don't anticipate any.

I suspect that the final 10% balance will be paid by the close of August, which is substantially ahead of the time allowed under the operating agreement.

Distribution will be made via check. The check will be accompanied by a letter and photocopy of the check that must be signed and returned to Bayou acknowledging receipt and agreement with the account balance reflected. This procedure will be applied to both the 90% refund and the 10% balance payments.

For this reason, it is important that, should you wish the checks to be mailed to any address other than the one your NAV statement is currently mailed to, you please provide it to us at this time. All communication should be addressed to Bayou at 40 Signal Road, Stamford, Connecticut 06902 or info@bayougroup.com. The offices will be open through the end of October.

Your cooperation in responding to our information request will expedite the process. I will send out another e-mail as soon as possible with further updates.

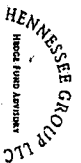
Sincerely,

Sam Israel

40 Signal Road
Stamford, CT 06902
Fax: 203-487-0009

E-mail: info@bayougroup.com

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Investor Relations: 203-708-6720/6713



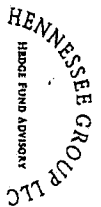
Manager Performance Monitor
******September 2003******

Bayou Fund, L.L.C. (Mr. Sam Israel):
(Opportunistic)

| | 2002 Return (net) | Aug 2003 (net - est) | 2003 YTD Return (net - est) | % Long | % Short | % Trader Marked |
|-------------------------------|----------------------|-------------------------|--------------------------------|--------|---------|--------------------|
| Bayou Fund, L.L.C. | 11.22% | -0.65% | 8.86% | N/A | N/A | 0% |
| Hennessey Opportunistic Index | -8.32% | 1.65% | 7.92% | | | |

The following information is for the domestic fund; the offshore fund is managed in a similar fashion, but performance may vary.

| | |
|-------------------------------|--|
| MARKET VIEW | <ul style="list-style-type: none"> The manager believes the month of August was uneventful as most of Wall Street was away on vacation. On the economic side, he feels recent economic indicators have been mixed-to-positive, which has pushed equities higher on the hopes of a near-term recovery. |
| PORTFOLIO STRUCTURE | <ul style="list-style-type: none"> Due to the high velocity trading nature of the fund, no significant position or sector exposure is kept over night. Average size of positions are 1-2%, the largest being 5%. The portfolio includes long-term positions that are expected to perform well in periods of market weakness. In particular, Pan America Silver (PAAS), a silver mining company, which contributed to gains in July, added to gains during the last week of August. The portfolio remains hedged with ETFs and equity short positions to minimize downside risk. |
| NUMBER OF POSITIONS | <ul style="list-style-type: none"> During August, on average, the manager held 15-25 positions daily. |
| PERFORMANCE | <ul style="list-style-type: none"> For the month of August, the fund declined -0.65% net, bringing the year-to-date performance to +8.86% net. The near flat performance, the manager believes, was achieved in a difficult market that was characterized by lackluster participation, which caused short-term swings in stocks. To hedge this risk, he relied on his quantitative indicators and avoided taking large bets. Gains during the month were a result of smaller bets on individual equities and capturing short term moves in directional plays. The manager continued to hedge the portfolio with the use of ETFs and straight equity shorts with in-house analytics showing no clear direction in the market. On the other hand, the manager did press very liquid positions that could be traded in and out of easily. |
| FUTURE PORTFOLIO EXPECTATIONS | <ul style="list-style-type: none"> During August, due to weak trading volume, the manager focused some of his efforts on finding individual long-term names that will benefit in an up market. He expects to continue putting on shorts during market advances until the gains more conviction on the market's behavior. |
| MARKET CONCERNS | <ul style="list-style-type: none"> The manager believes the market will experience a self-off based on proprietary systems showing it at the peak of its trading range. As a result, he has been maintaining a lower net exposure intra-day. |
| ORGANIZATIONAL CHANGES | <ul style="list-style-type: none"> <u>August 2003:</u> No changes to the organization. <u>June 2003:</u> The firm conducted its first investor conference call. Sam Israel discussed compliance issues, marketing-related matters, capacity, current portfolio, and his current view on the market. Going forward, Sam expects to conduct these calls on a quarterly basis. <u>March 2003:</u> The firm employs 19 people: CIO (Sam Israel), Head Trader (Italo Passante), 6 Analysts (Matt Robinson, Howard Turner, Rob Gutheil, Dennis Lee, Andrew Chapiro, Paul Archinard), CFO/COO (Dan Marino), Controller (Carolyn Sherry), 6 Marketing (Beth Hammond, Trish O'Dwyer, Jeff Singer, Howard Kra, John Martinez, Jeff Burke), and 2 Office Managers (Tom Atkinson, Liz Wilson). |
| OPENINGS/NEW CAPITAL | <ul style="list-style-type: none"> As of August 31, total assets under management was \$221 million split among five funds: \$28 million in Bayou Accredited Fund, LLC (3c1), \$1.15 million in Bayou Affiliates Fund, LLC (family members and friends), \$37.1 million in Bayou No Leverage Fund, LLC (institutions), and \$154.1 million in Bayou Superfund LLC (3c7). Bayou Offshore Fund, Ltd is not yet funded. The funds are open to new capital. |



Manager Performance Monitor
 *****September 2003*****

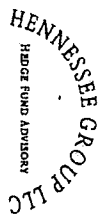
West Broadway Partners, L.P. (Mr. David Liptak)
 (Event Driven)

| | 2002 Return (net) | Aug 2003 (net - est) | 2003 YTD Return (net - est.) | % Long | % Short | % Trader Marked |
|------------------------------|----------------------|-------------------------|---------------------------------|--------|---------|--------------------|
| West Broadway Partners, L.P. | -2.34% | 0.40% | 3.13% | 88% | 41% | 0% |
| Hennesse Event Driven Index | -0.43% | 1.25% | 12.61% | | | |

The following information is for the domestic fund, the offshore fund is managed in a similar fashion, but performance may vary.

| MARKET VIEW | <ul style="list-style-type: none">In the manager's estimation, equities are still depressed. He noted that investor apprehension has affected deal activity and that deal activity will only increase when companies begin to manage top-line, and not bottom-line growth. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|--------|---------|--------|--------|--------|---------|--------|---------|--------|------|------|-------|------|------|------|------|------|------|-------|------|------|------|------|------|------|------|------|-----|------|------|------|------|------|------|------|------|--|-----|---|-----|--------------------------------|----|----------------------|-----|--------------------------------|-----|
| PORTFOLIO STRUCTURE | <ul style="list-style-type: none">Exposure history:<table><tr><th></th><th>Current</th><th>Jan-03</th><th>Apr-03</th><th>Mar-03</th><th>Jan-03</th><th>Nov-02</th><th>Sept-02</th><th>Jul-02</th></tr><tr><td>Long</td><td>+88%</td><td>+104%</td><td>+84%</td><td>+71%</td><td>+68%</td><td>+63%</td><td>+65%</td><td>+70%</td></tr><tr><td>Short</td><td>-41%</td><td>-65%</td><td>-39%</td><td>-32%</td><td>-40%</td><td>-35%</td><td>-36%</td><td>-35%</td></tr><tr><td>NET</td><td>+47%</td><td>+39%</td><td>+45%</td><td>+39%</td><td>+28%</td><td>+28%</td><td>+29%</td><td>+35%</td></tr></table>As of August 31, the largest deals in the portfolio were 34% of total investor capital. These deals included Instrumentarium/GE, Concord/First Data Corp., Biogen/Idec Pharmaceuticals and Legator/EMC.Approximately 94% of the fund is invested in merger arbitrage and 6% in event driven situations (spin-offs, restructurings, stubs).The breakdown of the deals is as follows:<table><tr><td>stock-for-stock deals (fixed exchange)</td><td>31%</td></tr><tr><td>stock-for-stock deals (flexible exchange)</td><td>12%</td></tr><tr><td>cash-and-stock-for-stock deals</td><td>4%</td></tr><tr><td>cash-for-stock deals</td><td>31%</td></tr><tr><td>elective deals (cash or stock)</td><td>22%</td></tr></table>Approximately 93% of the portfolio is invested in domestic deals and the remaining 7% is in international deals.Approximately 100% of the portfolio is invested in strategic deals (none of the positions are financial deals).Approximately 97% of the portfolio is invested in friendly deals and the remaining 3% in hostile deals.As a percentage of long market value, the fund has the following sector exposures: healthcare (20.69%), financial services (17.24%), real estate (10.34%), services (6.95%), technology (17.86%), manufacturing (3.45%), transportation (3.45%), and other (20.02%).All of the stock-for-stock deals in the portfolio are hedged, however, most of the cash-for-stock deals are not hedged. | | Current | Jan-03 | Apr-03 | Mar-03 | Jan-03 | Nov-02 | Sept-02 | Jul-02 | Long | +88% | +104% | +84% | +71% | +68% | +63% | +65% | +70% | Short | -41% | -65% | -39% | -32% | -40% | -35% | -36% | -35% | NET | +47% | +39% | +45% | +39% | +28% | +28% | +29% | +35% | stock-for-stock deals (fixed exchange) | 31% | stock-for-stock deals (flexible exchange) | 12% | cash-and-stock-for-stock deals | 4% | cash-for-stock deals | 31% | elective deals (cash or stock) | 22% |
| | Current | Jan-03 | Apr-03 | Mar-03 | Jan-03 | Nov-02 | Sept-02 | Jul-02 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Long | +88% | +104% | +84% | +71% | +68% | +63% | +65% | +70% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Short | -41% | -65% | -39% | -32% | -40% | -35% | -36% | -35% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| NET | +47% | +39% | +45% | +39% | +28% | +28% | +29% | +35% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| stock-for-stock deals (fixed exchange) | 31% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| stock-for-stock deals (flexible exchange) | 12% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| cash-and-stock-for-stock deals | 4% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| cash-for-stock deals | 31% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| elective deals (cash or stock) | 22% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| NUMBER OF POSITIONS | <ul style="list-style-type: none">The portfolio is currently invested in 93 deals. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PERFORMANCE | <ul style="list-style-type: none">For the month of August, the portfolio was +0.4% net of fees and expenses. For the year the fund has advanced +3.13% net of fees and expenses.The manager remarked that performance has been affected by the lack of deals in the current market. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| FUTURE PORTFOLIO EXPECTATIONS | <ul style="list-style-type: none">The manager sees a steady increase in deal flows through the end of this year and on into next year. This increase in deals will make the market environment much more favorable to the manager's strategy. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| MARKET CONCERNS | <ul style="list-style-type: none">The manager is concerned that investor confidence could wane, having adverse affects on the equity market. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ORGANIZATIONAL CHANGES | <ul style="list-style-type: none">August 2003: No organizational changes.February 2003: Shannon Rice (director of marketing) has left West Broadway Partners to pursue other interests.January 2003: West Broadway currently employs 12 people: 1 portfolio manager for West Broadway Partners (David Liptak), 1 portfolio manager for West Broadway Long/Short Equity Fund (Cengiz Scarfoss), 1 portfolio manager for West Broadway Global Arbitrage (Hideo Abe), 1 risk manager (Dwight Eyrick), 2 analysts (Kirk Lange and Mike Loungo), 2 traders (Barry King and Tom Fernandez), 1 CFO (Gary Purvint), and 3 investor relations/admin personnel. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| OPENINGS/NEW CAPITAL | <ul style="list-style-type: none">As of August 31, West Broadway is managing \$202 million: \$81 million in West Broadway Partners, L.P., \$67 million in West Broadway Partners, Ltd., \$14 million in West Broadway Global Arbitrage Fund (Japanese convertible arbitrage), and \$40 million in West Broadway Long/Short Fund, L.P. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

The information in this report has been obtained from the manager. It has not been audited nor has it been confirmed. No guarantee is made with respect to accuracy and the data is subject to change without notice. MFY



Manager Performance Monitor

**** August 2003 ****

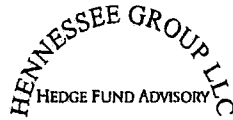
Sage Opportunity Fund, L.P. (Mr. Barry Haines and Ms. Kathryn Hensel) (Opportunistic)

| | 2002 Return (net) | Jul 2003 (net - est) | 2003 YTD Return (net - est.) | % Long | % Short | % Trader Marked |
|------------------------------|----------------------|-------------------------|---------------------------------|--------|---------|--------------------|
| Sage Opportunity Fund, L.P. | -14.55% | 3.80% | 13.19% | 110% | 70% | 0% |
| Hennesse Opportunistic Index | -8.32% | 0.88% | 6.20% | | | |

The following information is for the domestic fund, the offshore fund is managed in a similar fashion, but performance may vary.

| MARKET VIEW | <ul style="list-style-type: none">The manager believes that market activity in August has always been erratic due to light trading volume and decreased activity. As a result, the fund will not overreact to the moves in the market, but will remain cautious and use puts as a safety net. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-------------------------------|--|---------|---------|--------|--------|--------|--------|------|--------|--------|-------|-------|-------|-------|--------|--------|--------|--------|--------|-----|-------|-------|------|-------|-------|--------|-----|---------|---------|--------------------|---------|---------|--------|----------------|---------|------|------|----------------|--------|---------|------|--|-----|---------|---------|----------|--------|--------|-------|--------------|--------|--------|-------|-----------|--------|-------|-------|
| PORTFOLIO STRUCTURE | <ul style="list-style-type: none">Exposure history: <table><tr><th></th><th>Current</th><th>May 03</th><th>Mar 03</th><th>Jan 03</th><th>Dec 02</th></tr><tr><td>Long</td><td>110.1%</td><td>123.3%</td><td>64.3%</td><td>69.7%</td><td>74.4%</td></tr><tr><td>Short</td><td>-69.5%</td><td>-57.9%</td><td>-63.1%</td><td>-48.6%</td><td>-45.6%</td></tr><tr><td>NET</td><td>40.6%</td><td>65.4%</td><td>1.2%</td><td>21.1%</td><td>28.8%</td></tr></table>Beta adjusted, the fund's net exposure is +49.8% net long.Approximately 9.31% of the fund's capital is deployed in options, adjusted for delta.At the end of the month, the top six largest long positions were Eaton Corporation (ETN, +4.63%), Montpelier Re Holdings (MRH, +3.62%), Expedia, Inc (EXPE, +3.27%), Goldman Sachs Group, Inc (GS, +3.16%), JetBlue Airways Corporation (JBLU, 2.91%), and Morgan Stanley (MWD, +2.90%).Largest sector exposure on the long side: <table><tr><th>SECTOR</th><th>Net</th><th>May Net</th><th>Mar Net</th></tr><tr><td>Interest Sensitive</td><td>+15.11%</td><td>+11.22%</td><td>+6.09%</td></tr><tr><td>Transportation</td><td>+10.15%</td><td>< 5%</td><td>< 5%</td></tr><tr><td>Airline/Travel</td><td>+7.86%</td><td>+14.89%</td><td>< 5%</td></tr></table>Largest sector exposure on the short side: <table><tr><th></th><th>Net</th><th>May Net</th><th>Mar Net</th></tr><tr><td>Building</td><td>-8.88%</td><td>-1.98%</td><td>< -2%</td></tr><tr><td>Cons Staples</td><td>-4.67%</td><td>-5.28%</td><td>< -2%</td></tr><tr><td>Chemicals</td><td>-2.51%</td><td>< -2%</td><td>< -2%</td></tr></table> | | Current | May 03 | Mar 03 | Jan 03 | Dec 02 | Long | 110.1% | 123.3% | 64.3% | 69.7% | 74.4% | Short | -69.5% | -57.9% | -63.1% | -48.6% | -45.6% | NET | 40.6% | 65.4% | 1.2% | 21.1% | 28.8% | SECTOR | Net | May Net | Mar Net | Interest Sensitive | +15.11% | +11.22% | +6.09% | Transportation | +10.15% | < 5% | < 5% | Airline/Travel | +7.86% | +14.89% | < 5% | | Net | May Net | Mar Net | Building | -8.88% | -1.98% | < -2% | Cons Staples | -4.67% | -5.28% | < -2% | Chemicals | -2.51% | < -2% | < -2% |
| | Current | May 03 | Mar 03 | Jan 03 | Dec 02 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Long | 110.1% | 123.3% | 64.3% | 69.7% | 74.4% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Short | -69.5% | -57.9% | -63.1% | -48.6% | -45.6% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| NET | 40.6% | 65.4% | 1.2% | 21.1% | 28.8% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| SECTOR | Net | May Net | Mar Net | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest Sensitive | +15.11% | +11.22% | +6.09% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Transportation | +10.15% | < 5% | < 5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Airline/Travel | +7.86% | +14.89% | < 5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Net | May Net | Mar Net | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Building | -8.88% | -1.98% | < -2% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cons Staples | -4.67% | -5.28% | < -2% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chemicals | -2.51% | < -2% | < -2% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| NUMBER OF POSITIONS | <ul style="list-style-type: none">The fund had 94 positions (54 long and 40 short). Note that these figures are inclusive of options positions. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PERFORMANCE | <ul style="list-style-type: none">The fund returned +3.80% in July, bringing the year-to-date return to +13.19%.The longs contributed 5.91%, while shorts and options detracted -1.84% and -0.20% respectively. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| FUTURE PORTFOLIO EXPECTATIONS | <ul style="list-style-type: none">The manager has neutralized the exposure to technology, as he believes valuations have become a bit overextended. Short-term, he is positive on natural gas a trade, and will gradually increase exposure to business travel. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| MARKET CONCERNS | <ul style="list-style-type: none">In light of the extended rally, the manager has brought down the net exposure and added some put options to the portfolio. Many stocks are pricing in a robust second half and the manager is looking for early third quarter earnings indications to support (or disprove) the thesis. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ORGANIZATIONAL CHANGES | <ul style="list-style-type: none">July 2003: Stuart Zlotolow (CFO) has left the firm to join MSD Capital.May 2003: No organizational changes.March 2003: Hadley Allen (administrative assistant) has been let go from the firm. No immediate replacement is in the works.January 2003: The personnel count is as follows: 2 portfolio managers, 5 analysts, 2 traders, and 4 operations, administrative and support staff. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| OPENINGS/NEW CAPITAL | <ul style="list-style-type: none">Total firm assets are \$293 million. Asset breakdown is as follows: \$55 million in Sage Opportunity Fund [3c1], \$91 million in Sage Opportunity (OP), LP [3c7] and \$147 million in the offshore fund. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

The information in this report has been obtained from the manager. It has not been audited nor has it been confirmed. No guarantee is made with respect to accuracy and the data is subject to change without notice. KA



E. LEE HENNESSEE
MANAGING PRINCIPAL
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October 14, 2003

Dear Client of Hennessee:

In light of the New York State Attorney General's investigation into mutual fund market timing, we have received a few client inquiries as to hedge funds' involvement in the matter. As you may be aware, several mutual funds are facing investigations from securities regulators for allowing a number of hedge funds to engage in "late trades" of mutual fund shares. Furthermore, a small group of hedge funds are under investigation for engaging in the practice.

We have confirmed that none of the hedge funds in which Hennessee has advised you to invest are engaged in mutual fund market timing.

Should you have any questions, feel free to call to discuss this matter in more detail.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lee", is written over a horizontal line.

E. Lee Hennessee

A handwritten signature in cursive script, appearing to read "G. Hennessee", is written over a vertical line.

A handwritten signature in cursive script, appearing to read "Charles", is written over a horizontal line.

Charles Gradante